

Federal Open Market Committee

Conference Call

July 2, 1992

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Hoenig (Board)
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Mullins
Ms. Phillips
Mr. Syron (Board)

Messrs. Boehne, McTeer (Board), and Keehn,
Alternate Members of the Federal Open Market
Committee

Messrs. Black, Forrestal, and Parry, Presidents of
the Federal Reserve Banks of Richmond,
Atlanta, and San Francisco, respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary

Messrs. Davis, Lindsey, Siegman, and Simpson,
Associate Economists

Mr. McDonough, Manager for Foreign Operations,
System Open Market Account

Mr. Wiles, Secretary of the Board, Office of the
Secretary, Board of Governors
Mr. Ettin, Deputy Director, Division of Research
and Statistics, Board of Governors
Ms. Low, Open Market Secretariat Assistant,
Division of Monetary Affairs, Board of
Governors

Messrs. Bowen, Gainor (Richmond), and Oltman,
First Vice Presidents, Federal Reserve Banks
of St. Louis, Minneapolis, and New York
respectively

Ms. Lovett, Senior Vice President, Federal Reserve
Bank of New York

Transcript of Federal Open Market Committee Conference Call
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CHAIRMAN GREENSPAN. Good morning, everyone. The Board a few minutes ago voted 7 to 0 to lower the discount rate from 3-1/2 to 3 percent. I suspect that today's data suggest that M2's weakness may be more relevant than we had been expecting. I might also say, incidentally, that this afternoon we will be publishing an unexpectedly large decline in M2 of \$10.6 billion for the latest week; and at this stage preliminary numbers for the subsequent week show modest further declines.

Let me read the official text that we will release at 9:15 a.m. this morning: "The Federal Reserve Board today approved a reduction in the discount rate from 3-1/2 percent to 3 percent, effective immediately. Action was taken in light of sustained weakness in credit and money growth, continued movement toward price stability, and the uneven progress of the economic recovery. In making the change the Board voted on a recommendation submitted by the board of directors of the Federal Reserve Bank of Chicago. The discount rate is the interest rate that is charged depository institutions when they borrow from their regional Federal Reserve Banks." End of press release. I intend to allow the 50 basis point reduction in the discount rate to pass through fully to the funds rate. Are there any comments?

MR. BLACK. It seems appropriate to me, Mr. Chairman; this is Bob Black.

CHAIRMAN GREENSPAN. Thank you.

MR. KEEHN. This is Si Keehn in Chicago. I think you could tell from my comments yesterday as well as the action of our directors last week that we completely endorse the action you've taken.

MR. FORRESTAL. This is Bob Forrestal in Atlanta; I think it's entirely appropriate, Mr. Chairman.

MR. BOEHNE. This is Ed Boehne in Philadelphia. I obviously agree with it. I wonder if you clearly have to send out this one Reserve Bank announcement because that's the only thing you had to act on this morning. My own board is going to meet in about ten minutes in a regularly scheduled meeting and I'm sure they're going to go along with everyone else. It may be possible to make this look a little broader as we go through the day. I'd rather not have this action possibly viewed as the Board in Washington versus the Reserve Banks, which is surely not the case. I just wondered if there's some way we can make this look a little broader in terms of Reserve Banks [included in the announcement].

MR. ANGELL. Ed, this is Wayne Angell. Really, the money markets don't need any broadening here, and once we start that process we really have no way to end it. I think it's best to do as we've been doing in the past because the money markets don't need a lot of support. A 7 to 0 vote speaks for itself.

MR. COYNE. Mr. Chairman, typically we release each Reserve Bank's action as it comes in. For example, if we got three or four

Reserve Banks in by 11 a.m., we'd release them separately.

CHAIRMAN GREENSPAN. Yes, if we can get a number of Reserve Banks in sometime today, I think that would be very helpful.

MR. BLACK. Mr. Chairman, did I understand you to say 9:15 or 9:30 a.m.?

CHAIRMAN GREENSPAN. 9:15.

VICE CHAIRMAN CORRIGAN. This is Jerry Corrigan. I think you should just go ahead and make the announcement. Obviously, I will get my board together this morning too; and though I agree philosophically with Ed's point, this is too important to be tinkering. I would just go ahead.

MR. HOENIG. This is Tom Hoenig; I certainly agree with the immediate announcement and with [unintelligible].

CHAIRMAN GREENSPAN. Any further comments? Thank you very much, everybody.

END OF SESSION